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THE MAGAZINE FOR GROWING COMPANIES

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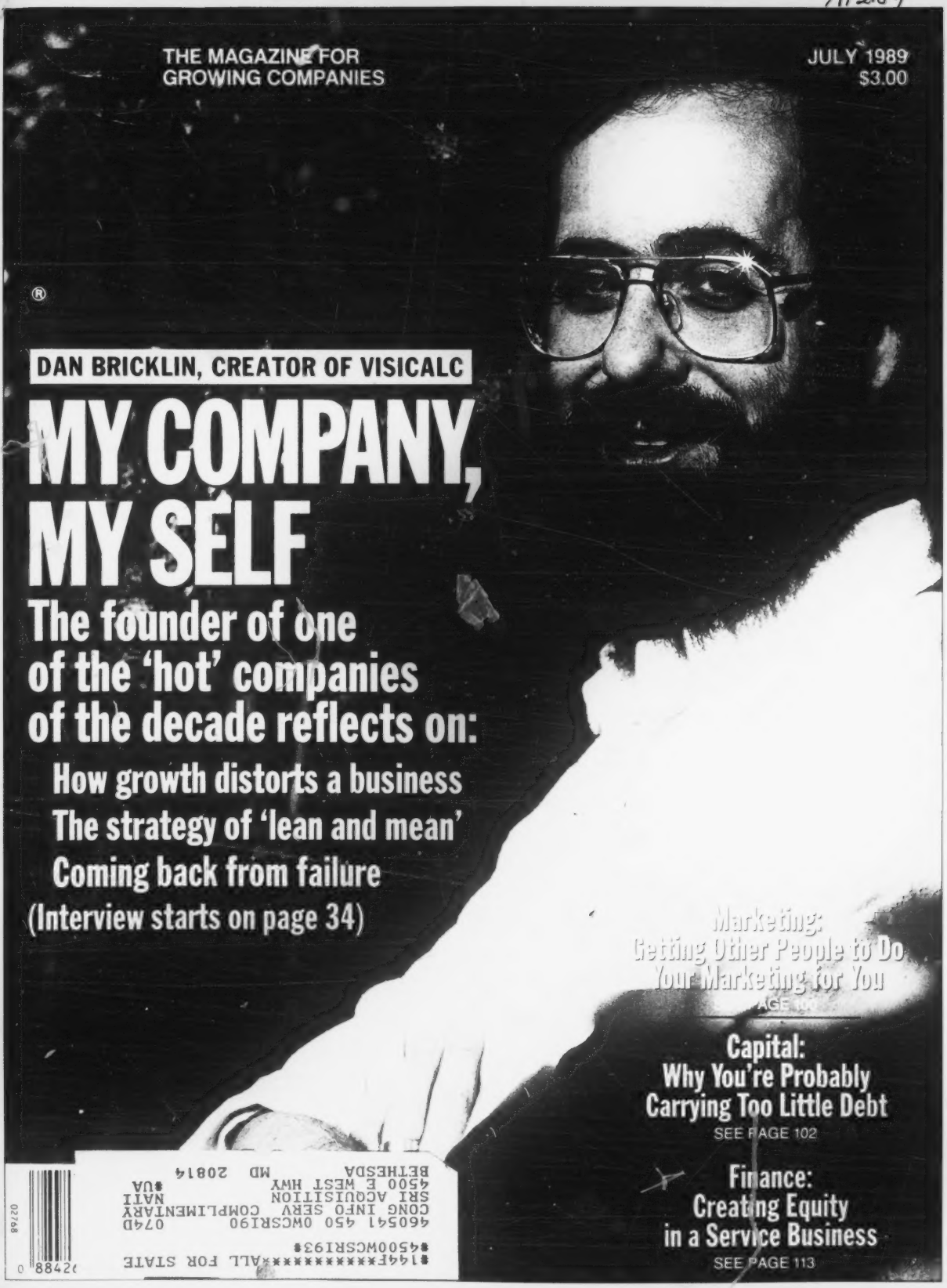

DAN BRICKLIN, CREATOR OF VISICALC

MY COMPANY, MY SELF

The founder of one of the 'hot' companies of the decade reflects on:

How growth distorts a business
The strategy of 'lean and mean'
Coming back from failure

(Interview starts on page 34)

Marketing:
Getting Other People to Do Your Marketing for You
PAGE 104

Capital:
Why You're Probably Carrying Too Little Debt
SEE PAGE 102

Finance:
Creating Equity in a Service Business
SEE PAGE 113

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CONTENTS

FEATURES

34 FACE-TO-FACE
My Company, My Self
Dan Bricklin, creator of VisiCalc, reflects on the pitfalls of growth, the benefits of staying small, and the importance of separating yourself from your company

48 **Under Siege** *BY EDWARD O. WELLES*
Bert Althaver's battle to save his small public company from a hostile takeover

60 **Growing Up As a CEO** *BY JOSHUA HYATT*
After eight years of unbroken business success, Walter Riley realized he wasn't the leader he'd always dreamed of becoming

72 ANATOMY OF A START-UP
House Calls *BY ANNE B. FISHER*
Can Buddy Systems Inc. persuade doctors, insurers, and patients to accept its new home monitoring device?

81 WASHINGTON
Whodunit *BY JAY FINEGAN*
It may be the most ill-conceived piece of legislation to come out of Washington in a decade. Will whoever is responsible for Section 89 please stand up?

COLUMNS

23 **The New Economy:** The Real Age Wave. *BY JOHN CASE*
Forget the graying of America. There's a bigger demographic revolution going on right under your nose

25 **Required Reading:** Why We Lose. *BY TOM RICHMAN*
Stories from behind the front in America's trade wars

28 **Policy:** Second Thoughts. *BY JOEL KOTKIN*
Before we start imitating Japan's managed economy, we should take another look at how it's working

100 **Marketing:** Trading Places. *BY PAUL B. BROWN*
How to get other people to do your marketing for you

102 **Capital:** The Joy of Debt. *BY ELLYN E. SPRAGINS*
Being in hock is all the rage. Are you missing something?

105 **Managing People:** Divided We Fall. *BY BRUCE G. POSNER*
What happens when employees start working at cross-purposes

108 **Managing Technology:** Break It to Me Gently. *BY TOM RICHMAN*
How to bring your people into the computer age

113 **Finance:** Something of Value. *BY STEPHEN D. SOLOMON*
A strategy for creating equity in a professional-services business

119 **Office Technology:** Informed Sources. *BY CARY LU*
How to build technological expertise into your company

DEPARTMENTS

11 **Letters:** Readers respond to Jobs, Goldhirsh, Peters, and the 10th-anniversary issue; Focus on "really small" businesses

18 **Insider:** Giving stock to customers; preparing for the EPA inspectors; how to get venture capital; Hotline; New Businesses

98 **Hands On:** Tips on serving customers, motivating employees, educating your banker, saving on overtime, and scheduling sales calls

131 **Investing in Growth Companies/Street Talk:** Outplaying the pros

60 Walter Riley
The making of a CEO

81 Washington
The real story behind Section 89

72 Thomas Manning
Anatomy of a health-care start-up

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LETTERS

People Express may no longer exist as a business, but its essence will live on through those who were a part of the organization. It was more than a place to work—it was a place to experiment; to develop and unleash creative talents; to learn, learn, learn; and to *enjoy*. It was a place to build an identity, and the identity I built there is the foundation that keeps me striving for excellence in all endeavors. I thank Don Burr for that. It was our airline, but only because he allowed it to be.

Katherine W. Anderson
Orlando

Another reader responded to an item about a start-up in the field of electronic bill paying (Insider, April), which had described Merchant Network Inc. as "the first third party to enter the market."

Actually, the first third-party firm was Telephone Computing Services, founded by Howard Phillips, whom many consider the father of pay by phone. The company never had more than 100 employees, of which I was one. After a series of owners, it closed its doors in 1988. Its database is now being used by Checkfree Corp., an entrepreneurial firm based in Columbus, Ohio, that began offering third-party, PC-based bill payment last fall.

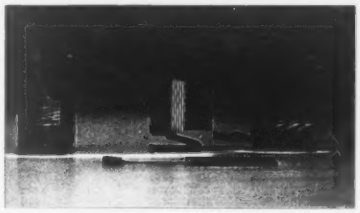
Judith Kernan Hofeditz
Electronic Banking Specialist
Security Pacific Bank Washington
Seattle

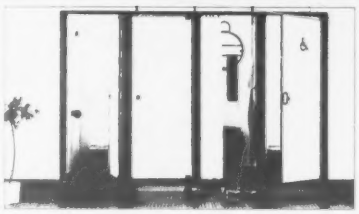
Then there was this request.

I've got a bone to pick. You write in your April issue about some revolutionary products—Steve Jobs's new NeXT computer and also the bathroom partitions from Thrislington Cubicles ["With a Little Help from His Friends"]. Why don't you show us what these products look like?

James D. Cohen
Chairman
Entrepreneurial Society of Cincinnati
Cincinnati

OK, here they are. That's the computer in the top photo, by the way.





HOUSE OF CORRECTIONS

Finally, we'd like to correct a few errors in our May issue. In the INC. 100 chart on pages 96–102, L.A. Gear's net income for 1988 should have been listed as $22 million (not $22,000); Texcel International is based in Mineola, N.Y. (not Newark, Del.); and Matt Edwards (not Stephen Katz) is the founder of Nationwide Cellular Services.

One other note: we reported in the May Letters that Max DePree's Leadership Is an Art *is published by Michigan State University Press. Unfortunately, that edition is now out of print. The good news is that Doubleday will come out with a new edition in September.*

INC. wants to know what you think. Please address all correspondence to INC. Letters Editor, 38 Commercial Wharf, Boston, MA 02110, or call our editorial commentary line toll free at (800) 444-1756. (Messages will be recorded.) Please include name, address, and telephone number for verification. Letters must be signed, and all correspondence may be edited for space and style.

SCORECARD

A breakdown of the mail

Here's a list of the subjects on which we heard from readers this month, along with their respective percentage of the total mail.

SUBJECT	PERCENT
Focus: What's Small? (letter from a reader)	44%
Kudos for INC. (on the 10th-anniversary issue)	9
Letter from the Founder (by Bernard A. Goldhirsh)	9
Criticism of INC. (too few women and minorities)	8
Entrepreneur of the Decade (Steve Jobs interview)	4
Doubting Thomas (by Tom Peters)	4
Other April articles	12
Miscellaneous	10

HANDS ON

A Manager's Notebook

GETTING STARTED

BLOWING YOUR OWN HORN

Starting a new business can be a pretty lonely endeavor. For one thing, there's nobody around to spur you on—or to give you a pat on the back when things go well. Back in 1981 Max Carey, CEO of Corporate Resource Development Inc., was frustrated by what seemed to him the slow progress of building his Atlanta-based sales- and marketing-services company. He had just one part-time employee, and "big successes were too far into the future," he says. "There wasn't much to motivate us."

His solution? "We decided to celebrate the small interim successes."

Carey went out and bought a siren, complete with megaphone and ambulance sound effects. After making a phone sales pitch, he would blow the horn if he had been able to bypass a training director and had reached a CEO. If a big check came in the mail, off went the siren. Now, the $1-million-plus company has 11 employees—and the siren goes off about 10 times a week. People come out of their offices to hear co-workers brag about their latest achievements, which helps companywide communications as well. "And it's a great motivator for our less experienced employees," Carey says, "who aren't yet able to produce at top levels."

RESOURCES

LOOK IT UP

To evaluate the creditworthiness of customers, vendors, and suppliers, reach for the reference book used by bankers. *Annual Statement Studies* can tell how long you can expect collections to take, how much inventory a supplier is likely to have on hand, and typical profit margins for more than 345 industries.

Balance-sheet and income-statement data are presented for businesses with assets totaling up to $1 million, $1 million to $10 million, $10 million to $50 million, and more than $50 million. Also included are 16 ratios commonly derived from such information. Tom Bennett, executive vice-president of the Stillwater National Bank, in Tulsa, says the book is a handy way to judge your performance against your peers.

The book sells for $54.50, prepaid. Write Robert Morris Associates, 1650 Market Street, 23d Floor, Philadelphia PA 19103-9734.

BANKING

READING THE FINE PRINT

If you are having a hard time getting bankers to understand your business, consider letting a trade magazine do some of the explaining for you. Mark Winward, CEO of Jane Ink Inc., in Seattle, was in a business with an image problem: silk-screening and embroidering T-shirts. "All bankers could think of was sex, drugs, and rock and roll, while I tried to get them to think of Boeing golf shirts." Sending subscriptions of trade magazines to prospective and current bankers, Winward says, added an element of credibility to his appeal that his financials couldn't. The bottom line? Winward boasts a $500,000 credit line to feed his $3.5 million in sales per year.

SELLING

IN THE TERRITORY

How many times has it happened: you call on a customer who puts you off by asking you to return in a couple of weeks? Trouble is, in a couple of weeks you're working a territory 100 miles away.

Tony Frederick thinks he's solved that problem. Frederick, CEO of FrederickSeal, Inc., in Bedford, N.H., a marketer of industrial sealing devices, divides each of his salespeople's territories into nine geographic areas of roughly equal size. The key to Frederick's system is the sequence of visits, which makes it easy for salespeople to revisit customers who ask them to come back in a few weeks.

Every month each salesperson concentrates on three of the nine areas. During the first week they cover one area; week two, they travel to an area on the other side of their territory; week three, they return to an area adjacent to the first, completing any unfinished calls while crossing the territory; and during week four they service key accounts in all three areas. The process is repeated during the second and third months so that by the end of each quarter, the territory has been covered.

PUBLIC RELATIONS

THE BIG PICTURE

How Americans rate the ability of different industries to serve the country's needs at a reasonable cost:

	Excellent	Good	Fair	Poor	Don't know
The computer industry	26%	46%	15%	4%	9%
The food companies	21	52	19	4	3
The telecommunications industry	18	42	23	9	8
The cable-television networks	12	39	25	12	13
The pharmaceutical companies	11	36	31	14	7
The automobile companies	8	38	34	15	5
The defense industry	9	34	28	20	9
The airlines	6	33	37	17	8
The oil companies	6	29	38	21	5
The chemical companies	5	28	33	21	14
The insurance companies	5	23	33	33	5

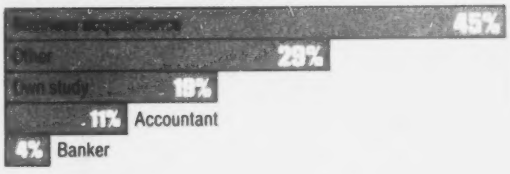
Source: Roper Reports Public Policy survey of 2,000 adults aged 18 and over, 1988

CHARTS: CYNTHIA DAVIS

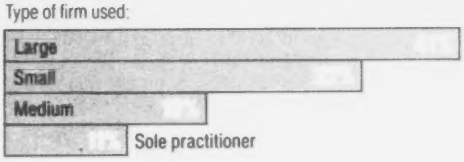
THE LAW

HOW DID YOU CHOOSE YOUR LAWYER?

How 126 high-technology businesspeople with an average $5 million in sales and 50 employees chose their law firm:



Type of firm used:



Totals exceed 100% because of multiple responses

Source: *Technology Entrepreneurs Evaluate their Legal Services*, a survey sponsored by the Technology Executive Roundtable, a group of more than 1,000 CEOs, COOs, and board members of technology-related businesses

CUSTOMER SERVICE

TITLE FREE

Customers don't care about the title of the person they speak with—they just want prompt, efficient service. At least that's what Michael Resnick, of Today's Temporary, based in Dallas, believes. To drive home his point, he has left titles off all business cards used at the $42-million agency.

"If the cards said anything, they'd all read 'Service Rep,'" says Resnick, whose own cards could, but don't, read "President." While the company uses job descriptions internally, Resnick says he's seen too many people get hung up on titles and become removed from the customer. "We want to make sure clients don't have to go through hierarchies," he says. "We want them to know that anyone they call can answer their questions."

Of course, that requires more than plain business cards. Resnick says Today's Temporary, a two-time INC. 500 company, follows through by "empowering frontline people with the authority to find answers." Operations managers (who take the initial calls from clients) supervise and send out the workers and handle every other aspect of client service, from pricing questions and quality-control follow-up to arranging credit for any unsatisfactory service. □

OPERATIONS

QUALITY TIME

Are you getting what you pay for in overtime? Two years ago Jim Read crunched some numbers and confirmed his suspicions: no more was being produced in the 10-hour days that had become standard in his company than had been produced in the bygone era of 8-hour days before The Read Corp.'s business picked up.

"Faces were down, production wasn't up, and there were more accidents," Read concluded after studying the productivity of his Middleboro, Mass., gravel-screening-equipment manufacturing plant. Read was worried, though, that going back to 8-hour days would be hard on his employees, who "had become accustomed to living on the wages of a 55- or 60-hour workweek."

Read now says no to overtime for factory and office employees alike and schedules a second shift instead. But he compensates for the lost pay by issuing three extra paychecks a year, made possible in part by a more efficient factory floor. □

COMMUNICATIONS

NOW READ THIS

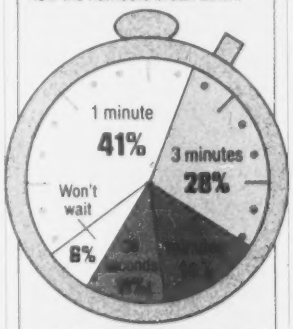
Ever wonder how many employees read your company newsletter? The answer is of vital importance to Harry Featherstone, president and CEO of The Will-Burt Co., in Orrville, Ohio, who uses the company newsletter as a way to educate his employees about the company's employee stock-ownership plan. To encourage readership and discussion, Featherstone occasionally includes a quiz on the big story of the issue, complete with a dinner-for-two certificate for the employee who answers the most questions correctly.

Featherstone's reasoning? "I thought it would make employees talk about the story among themselves and learn the material better." Roughly 10% of Will-Burt's 300 employees vie for the prize each month. □

SALES

JUST A SECOND!

More than half of the 500 executives surveyed at five major trade shows wouldn't wait more than a minute for a sales representative at a booth. Here's how the numbers break down:



Source: From a 1989 survey by Incom International, Chicago, a trade-show training and research organization

ENVIRONMENT

AN EYE ON SUPPLIES

At Clean Harbors Inc., a $100-million Quincy, Mass., INC. 100 company that analyzes, cleans up, and transports hazardous waste, guidelines for purchasing office supplies include:

- □ Paper, not Styrofoam, drinking cups
- □ Biodegradable hand soap for bathrooms
- □ Recycled paper for stationery

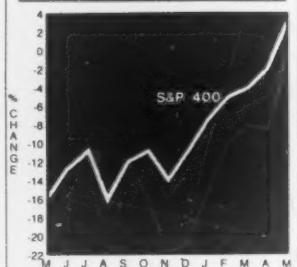
In addition, Clean Harbors forgoes putting salt on the company parking lot after a snowstorm, using only a plow instead.

"The costs associated with these guidelines are negligible in real dollars," says media-relations manager Karen Clancy, "and in many instances actually save money. But the long-term environmental savings are tremendous." □

Reported by Leslie Brokaw, Teri Lammers, and Stephen D. Solomon

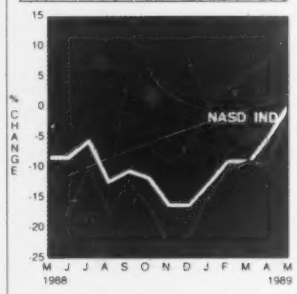
INVESTING IN GROWTH COMPANIES

INC. vs. CONSERVATIVE AVERAGES



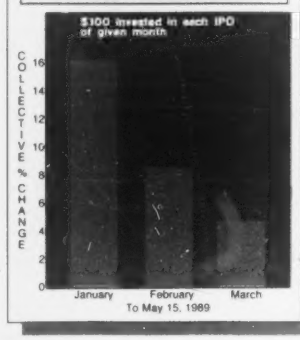
All averages start at 0 in October 1987

INC. vs. SPECULATIVE AVERAGES



All averages start at 0 in October 1987

IPOs IN THE AFTERMARKET



INITIAL PUBLIC OFFERINGS: APRIL 1989

O-T-C sym.	Company	Business/product	Offering Size ($mil.)	Offering Price	First aftermarket bid	Underwriter
BYTX	Bytex	Mfrs. computer-switching equipment	10.80	8.00	8	Alex. Brown
CID[a]	Chieftain International	Acquires U.S. & UK assets of Chieftain Development	27.84	13.50[b]	13⅜	Bear, Stearns
COND	Condor Services	Insurance placement agency	8.25	7.50	7⅞	Baird, Patrick
ENCL	EnClean	Provides industrial & environmental cleaning svcs	6.75	6.75	7⅛	Chicago Corp.
MCTL	Microtel Franchise	Develops chain of discount motels	3.00	6.00	7¾	Starr Securities
MZLUU	Mizlou Communications	Produces & distributes televised sports events	3.90	6.00[c]	7½	Commonwealth
SEVN	Sevenson Environmental Services	Provides hazardous-site cleanup svcs.	23.10	16.50	17¾	Paine Webber
SPLS	Staples	Operates office-supply supermarkets	51.30	19.00	22½	Goldman, Sachs

Initial public offerings sold at $1 or less not included. First aftermarket bid is approximate. [a] trading on the AMEX. [b] an additional 2.062 million shares were offered in the Canadian market. [c] units of 6 common + 6 warrants. Offering data source: *GOING PUBLIC: THE IPO Reporter*, a publication of The Dealer's Digest Inc., 150 Broadway, New York NY 10038

STREET TALK As of mid-May, INC.'s proprietary index had at last recovered (within a percentage point anyway) from the shock of '87. That ours was the last to claw back underscores the point that money managers still view rapid revenue growth with suspicion. Some typical concerns: a company has used too much debt to buy sales, has given away too much in making acquisitions, doesn't have follow-up products, lacks competent middle management. You can add to this the phenomenon that many professionals simply don't understand what's happening in young companies. Indeed, more than one we have chatted with admittedly eschews their stocks only because the products are mysterious.

For example, Peter Lynch, the head of Fidelity Management & Research's $9-billion Magellan Fund, is a firm believer in knowing exactly what a company sells before investing in it. It took somebody at Fidelity ordering 60 Macintoshes before Lynch, an admitted nontechnologist who was willing to load up on Chrysler on the basis of its new models, realized Apple Computer might be worth looking into. As this attitude becomes increasingly the case, one sector in which an informed public player can outplay the pros is among emerging high-tech companies. Nowadays an investor can find out more about potentially profitable trends in technology from a local computer club than a Wall Street analyst.

—Robert A. Mamis

CHARTS: IMAGEBUILDER DESIGN

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